

STATEMENT
OF
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BEFORE THE
U.S. SENATE COMMITTEE ON COMMERCE,
SCIENCE AND TRANSPORTATION

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Mr. Chairman and Members of the Committee:

Thank you for inviting me to address the committee on this important issue. My name is Susan Cischke, and I am Vice-President of Environmental and Safety Engineering for Ford Motor Company. Ford Motor Company has 48 manufacturing facilities located in North America employing 163,000 people in the United States.

I appreciate the opportunity to share with you Ford Motor Company's views on motor vehicle fuel efficiency and what role advance technology will play. These issues are of critical importance to our business, customers, shareholders, and the nation.

We are committed to reducing energy consumption through development of fuel-efficient advanced technology and alternative fuel vehicles, and improving plant and facility energy use. To that end, a few years ago Ford announced an approach we call "Cleaner, Safer, Sooner". This theme actually is part of a larger strategic vision of where we are headed with technology as a company to improve safety and fuel economy and reduce emissions. I would like to take a few minutes to share what we have done and plan to do to improve the fuel economy of our vehicles.

- We have pledged to improve the fuel economy of our U.S. SUV fleet. This will be done through a combination of new vehicle introductions, significant powertrain and non-powertrain actions, and additional use of lightweight materials.

- Already, today, Ford is the leader in offering clean-running alternative fuel vehicles. We make and sell ten vehicle lines capable of running on fuels other than gasoline, including ethanol, natural gas, and propane. One of the key hurdles to overcome in commercializing alternative fuel vehicles is the lack of fueling infrastructure. Incentives will help the distributors overcome the costs to establish the alternative fuel outlets and support distributors during initial lower sales volumes as the number of alternative fuel vehicles increases.
- We are leading the world's automakers by providing consumers with the broadest lineup of electric vehicles, including a new zero-emissions brand, TH!NK – dedicated to the development and marketing of alternative fuel powertrains and vehicles.
- Fuel cells are one of the most promising long-term technologies and offer the hope of breakthrough fuel economy improvements, zero emissions, and a shift away from petroleum-based fuels. Ford is working hard on this promising technology and has also recently announced a new direct hydrogen internal combustion engine research vehicle. We introduced our first drivable fuel cell vehicle in 1998 and last year introduced the Ford Focus FCV. However, there are significant obstacles to overcome, including cost, infrastructure, and new technologies that need to be invented.

- We recognize that electronics that integrate electric drive with an internal combustion engine offer improvements in fuel economy. For example, we plan to have the Escape Hybrid Electric Vehicle on the road in 2003 that incorporates electric drive technology.

As we work to improve the fuel economy of our vehicles, we keep several important objectives in mind. We must provide consumers with the vehicles they want to drive that provide the functionality they look for and the safety they demand. Vehicles that do not meet customer needs, do not sell, and will not improve the country's environmental performance. It is also important to set equitable tasks for all manufacturers and to provide adequate lead-time to accomplish these tasks. We have looked at the CAFE standards from a manufacturers perspective and we believe that as a policy tool, it does not measure up to these principles. The goal of the initial CAFE program was to improve the average fuel economy performance of three companies. This is a different objective than setting up a program that conserves energy for the nation.

Contrary to what you may have heard or believe, on an apples-to-apples basis, the fuel efficiency of vehicles from domestic manufacturers is comparable to those from import companies. Looking at today's fuel economy data, on a model-to-model basis, you will see very little difference in the fuel economy performance across the major manufacturers. What is different is the model mix. Simply put ...CAFE is a calculated average of all the vehicles a company sells. Some manufacturers, mostly domestic manufacturers like Ford, offer a full product line-up with sales of larger cars and trucks

like the best selling F-Series that can help with the chores on the farm, while other manufacturers have higher sales in small vehicle segments. This has created what you could call a "model mix loophole" where some manufacturers have been able to enter the larger vehicle segments unrestricted by CAFE for the past 10 years. Thus, the difference in CAFE performance is not vehicle-to-vehicle differences, as we show in the attached table, but differences in the segments in which a company chooses to compete.

At the end of the day, any solutions to reduce fuel consumption or correct CAFE structure inadequacies must result in vehicles that customers can afford and that they are willing to and want to purchase. Ford has been in the business of making and selling vehicles for 98 years and we know that when customers consider purchasing a vehicle, they are concerned with vehicle affordability, quality, reliability, safety, appearance, comfort, and utility. Automakers also must consider all competing regulatory challenges, not just reducing fuel consumption, but improving safety and reducing emissions. From our perspective, no one factor can be ignored in the highly competitive U.S. marketplace.

In regards to CAFE, we agree with the National Academy of Sciences that "understanding the impact of potential changes to CAFE standards is, indeed, a difficult and complex task." Because of the many tradeoffs and conflicts involved, Congress, in the Energy Policy Act, authorized the National Highway Traffic Safety Administration (NHTSA) to periodically review the standards, which requires expert and intensive

review of competitive information and analysis of competing priorities. We believe that NHTSA is appropriately positioned to set standards at the "maximum feasible" truck levels as required by law. The regulatory process to do this is already in place and scheduled to begin shortly.

We have reviewed the National Academy of Sciences report on "The Effectiveness and Impact of Corporate Average Fuel Economy (CAFE) Standards." While we cannot endorse the cost of technology in the report or the methodology for estimating breakeven pricing, the report has many findings and recommendations that deserve further comment:

(1) NAS recommended that the government should be involved in setting fuel

economy standards for societal reasons. We agree that government has an appropriate role to play in establishing national energy objectives and evaluating the trade-offs between competing national objectives. We support the current regulatory process already in place to have the National Highway Traffic Safety Administration review the fuel economy standards and set responsibly crafted standards at maximum feasible levels that consider among other things the interactions between fuel economy and safety, economic concerns, and U.S. competitiveness. As I mentioned, this review process is already in place and scheduled to begin shortly.

(2) NAS recommended that consideration should be given to an attribute based

system, such as vehicle weight. We believe that there is merit to investigating this further.

(3) **NAS recommended that the CAFE system, or any alternative system, should include broad trading of "Credits."** We do not envision an inter-manufacturer trading system that would work since it would inevitably lead to a transference of wealth from full line manufacturers - who provide working class vehicles to working Americans - to foreign companies who provide small vehicles unless equitable tasks are developed for all manufacturers.

(4) **NAS recommended that the dual-fuel vehicle credits should be eliminated.**

Ford believes this recommendation should have been modified to add a phrase at the end ***"or we should add additional incentives to build a fuel infrastructure to support alternative fueled vehicles."*** We believe that bio-fuels and renewables will play an important role in energy diversity. We should not be cutting off a fruitful path to get to a renewable market because the fuel infrastructure has not grown as fast as some critics would like. There should be additional incentives to build a fuel infrastructure to support alternative fueled vehicles.

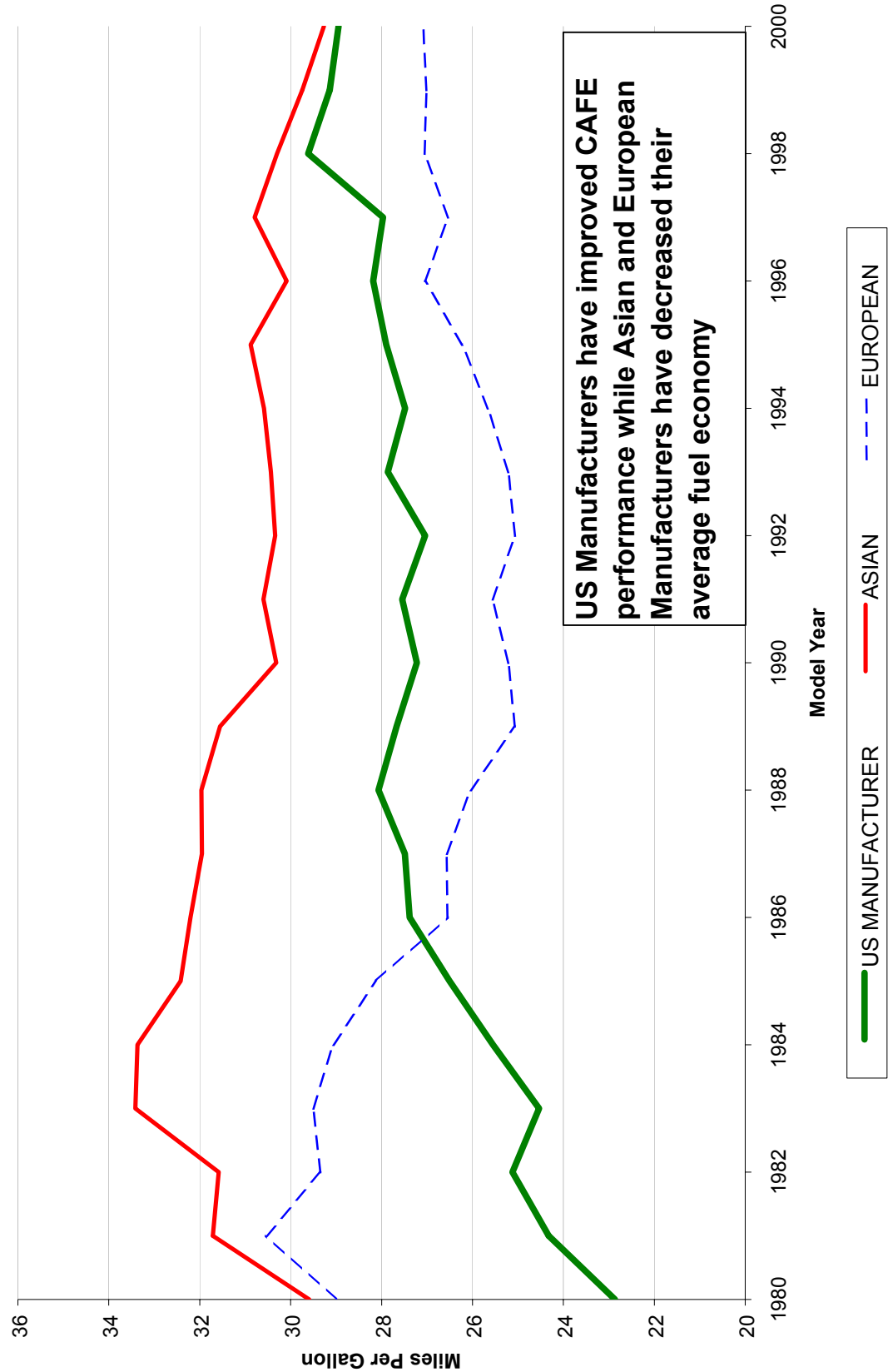
We can not emphasize enough the uncertainties in the NAS report, these "Uncertainties include the cost of implementing existing technologies or developing new ones; the future price of gasoline; the nature of consumer preferences for vehicle types, performance, and other features; and potential safety consequences of altered standards. The higher the target for average fuel economy, the greater the uncertainty about the cost of reaching that target." (ES-7)

In closing, we believe that policies that promote research, development and deployment of advanced technologies and provide consumer incentives to accelerate demand for these technologies are two key elements of a coordinated strategy to address reducing U.S. fuel consumption. Advanced Technology Vehicles hold great promise for increasing fuel efficiency without sacrificing the other vehicle attributes consumers desire. Just as important, the technology is transparent to the customer. Incentives will help consumers overcome the initial higher costs of advanced technology and alternative fuel vehicles during market introduction, bringing more energy efficient vehicles into the marketplace more affordably. Enabling consumers to make more effective fuel-efficient choices makes more sense to achieve the desired outcome.

Ford is committed to taking action to address societal concerns when we have the technology and when it can be cost-effectively introduced in sufficient volume to make a difference.

Thank you again for the opportunity to address the Committee.

US CAFE History



VEHICLE FUEL ECONOMY COMPARISON

Manufacturer	Carline	Engine Size	Cylinders	Trans	City	Hwy	City/Hwy FE
Cars							
FORD	TAURUS	3.0	6	Auto	20	28	23
DC	CONCORDE	2.7	6	Auto	20	28	23
GM	IMPALA	3.4	6	Auto	21	32	25
HONDA	ACCORD	3.0	6	Auto	20	28	23
TOYOTA	CAMRY	3.0	6	Auto	20	27	22
SUVs							
FORD	ESCAPE 4WD	2.0	4	Manual	22	25	23
TOYOTA	RAV4 4WD	2.0	4	Manual	22	27	24
FORD	EXPLORER 4WD	4.0	6	Auto	16	20	17
DC	GRAND CHEROKEE 4WD	4.0	6	Auto	15	20	17
GM	BLAZER 4WD	4.3	6	Auto	15	20	17
HONDA	PASSPORT 4WD	3.2	6	Auto	16	20	18
TOYOTA	4RUNNER 4WD	3.4	6	Auto	16	19	17
FORD	EXPEDITION 4WD	4.6	8	Auto	14	17	15
GM	K1500 SUBURBAN 4WD	5.3	8	Auto	13	17	15
DC	DURANGO 4WD	4.7	8	Auto	13	18	15
TOYOTA	SEQUOIA 4WD	4.7	8	Auto	14	17	15
TOYOTA	LAND CRUISER WAGON 4WD	4.7	8	Auto	13	16	14
Small Pickups							
FORD	RANGER PICKUP 2WD	2.3	4	Manual	24	28	25
GM	S10 PICKUP 2WD	2.2	4	Manual	22	28	24
TOYOTA	TOYOTA TACOMA 2WD	2.4	4	Manual	22	27	24
FORD	RANGER PICKUP 2WD	4.0	6	Auto	17	22	19
DC	DAKOTA PICKUP 2WD	3.9	6	Auto	18	19	18
GM	S10 PICKUP 2WD	4.3	6	Auto	16	22	18
TOYOTA	TOYOTA TACOMA 2WD	3.4	6	Auto	17	19	18
Full Size Pickups							
FORD	F150 PICKUP 2WD	4.6	8	Auto	16	20	18
DC	RAM 1500 PICKUP 2WD	5.2	8	Auto	14	19	16
TOYOTA	TOYOTA TUNDRA 2WD	4.7	8	Auto	15	18	16
GM	C1500 SILVERADO 2WD	4.8	8	Auto	15	20	17
Minivans							
FORD	WINDSTAR FWD WAGON	3.8	6	Auto	17	23	19
DC	CARAVAN 2WD	3.3	6	Auto	18	24	20
GM	VENTURE FWD	3.4	6	Auto	19	26	22
TOYOTA	SIENNA	3.0	6	Auto	19	24	21
HONDA	ODYSSEY	3.5	6	Auto	18	25	21

* Fuel Economy Label data from 2002MY EPA Website

* Vehicle Weights obtained from Test Car List